

## Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 IO-13 AID-05 CIAE-00 COME-00 EB-08  
FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02  
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 SS-15 NSC-05  
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P R 232056Z JUN 78  
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TO SECSTATE WASHDC PRIORITYSM1485  
INFO AMEMBASSY BOGOTA  
AMEMBASSY CARACAS  
AMEMBASSY KINGSTON  
AMEMBASSY MEXICO  
AMEMBASSY PANAMA

C O N F I D E N T I A L SAN JOSE 2725

E.O. 11652: GDS  
TAGS: PGOV, EFIN, ELAB, CS, PN  
SUBJ: PRESIDENT CARAZO ON PANAMA MEETING, IDB REPLENISHMENT,  
INTERNAL LABOR SCENE, ETC.

1. CONFIRMING IMPRESSIONS WE HAVE GARNERED FROM THE FOREIGN MINISTER AND OTHER COSTA RICANS WHO WERE THERE, PRESIDENT CARAZO HAS RETURNED FROM PANAMA EXTREMELY PLEASED FOR THE OPPORTUNITY TO PARTICIPATE AND VERY WARM IN HIS PRAISE OF PRESIDENT CARTER. IN DISCUSSIONS WITH CARAZO JUNE 22, HE REFERRED EXTENSIVELY TO THE ADDED CONFIDENCE HE HAD GAINED IN THE US UNDERSTANDING OF HEMISPHERIC ISSUES AND ITS COMMITMENT AND SINCERITY IN SEEKING TO PROMOTE DEMOCRATIC DEVELOPMENT. HIS COMMENTS ECHOED PUBLIC STATEMENTS HE HAD MADE EARLIER IN THE WEEK, BEING REPORTED SEPARATELY, EMPHASIZING MORE THAN SPECIFIC ISSUES HIS BELIEF THAT A "NEW ERA" IN US-LATIN AMERICAN RELATIONS HAS DAWNED. HE ATTRIBUTED THE DEPARTURE TO US PRESIDENTIAL LEADERSHIP AND INTEREST, STRESSING REPEATEDLY HIS HIGH REGARD FOR PRESIDENT CARTER'S STYLE AND CHARACTER. WHILE PRACTICAL RESULTS WILL BE WHAT COUNT, CARAZO  
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REITERATED, HE IS NOW CONVINCED THAT MEANINGFUL CONSULTATION CAN MINIMIZE DIFFERENCES, EVEN IN ACTS OF PERSISTENT ECONOMIC CONCERN.

2. THE PRESIDENT INDICATED THAT MRS CARAZO HAD RECOUNTED IN GREAT DETAIL THE MANY KINDNESSES AND PERSONAL ATTENTION EXTENDED TO HER

AND THE YOUTH SYMPHONY AT THE WHITE HOUSE AND KENNEDY CENTER. HE REMARKED THAT HE COULD NOT HELP BUT ADD TOGETHER MRS CARTER'S PRESENCE AT HIS INAUGURATION, THE SYMPHONY'S RECEPTION AND THE PERSONAL COURTESIES SHOWN DONA ESTRELLA IN WASHINGTON, AND THE SPECIAL ATTENTION PAID THEM BY THE CARTERS IN PANAMA TO CONCLUDE THAT HIS FEELINGS FOR THE CARTER ADMINISTRATION ARE RECIPROCATED.

3. I GAVE CARAZO THE FULL TEXT OF PRESIDENT CARTER'S OAS SPEECH. HE SAID THAT HE WAS MOST FAVORABLY IMPRESSED WITH THE "PREVIEW" AFFORDED IN THE MULTILATERAL DISCUSSIONS IN PANAMA AND WOULD STUDY THE SPEECH IN DETAIL. HE REMARKED THAT THE PANAMA MULTILATERAL FORUM PROVED TO BE MOST USEFUL AND THAT MOST OF THE LA PARTICIPANTS MADE INTELLIGENT CONTRIBUTIONS, REPEATING THE WORD MOST, BUT AVOIDING ANY IDENTIFICATION OF THE EXCEPTION OR EXCEPTIONS INTENDED.

4. ON THE IDB REPLENISHMENT MEETINGS, CARAZO CONFIRMED THAT GIVEN HIS CONVICTION THAT COSTA RICA IS BEING PENALIZED FOR COMMITTING RESOURCES TO DEVELOPMENT RATHER THAN ARMS, HE HAS DECIDED TO SEND MINISTER OF FINANCE SAENZ TO THE SESSIONS. HE REMINDED ME THAT HE HAD RAISED THE ISSUE AT PANAMA AND THOUGH HE RECOGNIZED THE DIFFICULTIES IN FORGING MULTILATERAL CRITERIA TO ACCOMMODATE THE NEEDY IN MIDDLE-INCOME COUNTRIES WITH GOOD DEVELOPMENT RECORDS, HE HOPED THE US WOULD SUPPORT AN ARRANGEMENT THAT WAS SATISFACTORY TO SUCH COUNTRIES. I STRESSED OUR HOPE THAT REAL AND RAPID PROGRESS WOULD BE MADE IN THE UPCOMING MEETINGS TOWARD THE US STATED OBJECTIVES AND PROVIDED HIM THE FULL TEXT OF THE US MADRID STATEMENT, NOTING CONFIDENTIAL

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THAT SPECIFICS WERE NOT TO BE DETERMINED.

5. THE LAST HALF HOUR OF THE MEETING, ON CARAZO'S INITIATIVE, DEALT WITH THE PRESIDENT'S NOW FIRMER CONVICTION THAT COMMUNIST INFLUENCE IN DOMESTIC MATTERS, PARTICULARLY IN THE FIELD OF LABOR, WAS MORE PERVASIVE THAN HE HAD REALIZED BEFORE HE TOOK OFFICE. ELABORATING IN DETAIL, THOUGH WITH LESS ALARM OR EMOTIONALISM THAN WE HAVE OBSERVED ON THE PART OF SOME OF HIS SUBORDINATES, CARAZO COMPLAINED THAT THE ODUBER GOVERNMENT HAD PLAYED TOO COZY A GAME WITH LEFTIST ELEMENTS FOR REASONS OF POLITICAL EXPEDIENCY, AND HE WAS REAPING THE UNWELCOME HARVEST. DETAILS OF THIS DISCUSSION ARE BEING REPORTED SEPTEL.

6. FINALLY, THE PRESIDENT WAS EFFUSIVE IN HIS PRAISE FOR THE WORK OF POLOFF JOHN MAISTO, WHO ACCOMPANIED ME IN ORDER TO TAKE LEAVE OF THE PRESIDENT. AFTER THE THIRD DEPARTURE "ABRAZO" BETWEEN THEM, IF EVER THERE WERE ANY QUESTION AS TO HOW EFFECTIVE MAISTO HAS BEEN IN RELATIONS WITH GOVERNMENT AND OPPOSITION LEADERS ALIKE IN THIS THREE YEARS HERE, THE DOUBT WOULD HAVE BEEN DISPELLED.

7. COMMENT: SEVEN WEEKS INTO OFFICE, CARAZO APPEARS TO BE SETTling IN, BUT MAY STILL BE UNDULY IMPATIENT IN HIS QUEST FOR FIRM AND

QUICK RESOLUTION OF PENDING PROBLEMS. ON MATTERS OF BILATERAL CONCERN, THANKS ESPECIALLY TO THE OPPORTUNE SERIES OF CONTACTS BETWEEN THE FAMILIES CARTER AND CARAZO HERE, IN WASHINGTON AND IN PANAMA IN SO BRIEF A TIME, THE BONDS OF FRIENDSHIP AND CONFIDENCE VIS-A-VIS THE US ALREADY ARE FIRM. THEIR FUTURE STRENGTH CLEARLY WILL BE A FUNCTION OF WHAT CARAZO REPEATEDLY CALLS THE NEED FOR PRAGMATIC RESULTS. TREATMENT OF COSTA RICA BY THE IFIS AND PROGRESS TOWARD RESOLUTION OF THE UNA ISSUE ARE IMMEDIATE FACTORS IN SETTING THE SUBSTANTIVE TONE OF US-COSTA RICAN RELATIONS. THEREAFTER, US ASSISTANCE TO THE DEMOCRATIC LABOR MOVEMENT AND RESPONSIVENESS TO PROBABLE ECONOMIC DIFFICULTIES ARISING FROM THE DOWNSIDE OF THE COFFEE PRICE CYCLE ARE LIKELY TO INFLUENCE SIGNIFICANTLY THE PATTERN OF RELATIONS OVER THE NEXT YEAR OR SO.

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## Message Attributes

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**Draft Date:** 23 jun 1978  
**Decaption Date:** 01 jan 1960  
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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014